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**ATTORNEY GENERAL RAOUL APPLAUDS BIPARTISAN PASSAGE OF STUDENT LENDING
LEGISLATION**

Raoul's "Know Before You Owe" Ensures Borrowers Are Informed of Federal Loan Options

Chicago — Attorney General Kwame Raoul today applauded the General Assembly's bipartisan passage of his "Know Before You Owe" legislation to ensure that student loan borrowers select a loan option that best meets their financial needs.

Raoul's Know Before You Owe legislation, House Bill 2746, will ensure that student borrowers have information about their federal aid eligibility before they turn to more costly private loans. Additionally, private lenders will be required to provide Illinois' Student Loan Ombudsman, housed in the Attorney General's office, and state banking regulators with basic information on private student loans. The measure, which was sponsored by Rep. Katie Stuart and Sen. Scott Bennett, passed unanimously and will now be sent to the governor for final approval.

"Federal student loans give borrowers more flexibility in general, and the relief that comes with federal loans – as we saw last year – is critical to assisting borrowers during periods of economic uncertainty," Raoul said. "This legislation ensures that students and families are informed of their rights and their federal loan eligibility before taking out expensive private loans."

"We have to work against the student debt crisis Illinois graduates have been facing. One of the best ways we can do that is to tell students and families whether they qualify for federal loans before taking on private loans," Bennett said. "Know Before You Owe will ensure student borrowers know their rights and their eligibility for federal loans, and I am proud to work with Attorney General Raoul on this initiative."

"Students are graduating with higher levels of debt than in the past, and much of it is not eligible for the relief that federal loans provide," Stuart said. "I appreciate Attorney General Raoul's work to inform student borrowers of their rights and for initiating Know Before You Owe to help borrowers exhaust their federal options before looking into costly private loans."

Federal data shows that more than half of undergraduate students took out a private student loan even though they were still eligible for federal student loans. Private student loans offer fewer borrower protections, less flexible repayment options and generally cost more than federal student loans. Raoul's legislation ensures borrowers have information to determine whether they have exhausted their federal loan options before taking out private loans.

The COVID-19 pandemic has demonstrated the benefits of federal student loans. Although student loan borrowers across the board have faced the economic impact of the pandemic, federal loan borrowers have had access to more relief. Since March 2020, the federal government has provided automatic relief for federally-owned loans by pausing payments and wage garnishments, and lowering the interest rate to 0%. None of these options are widely available, if at all, to private student loan borrowers.

In addition to being more costly and having higher interest rates, private student loans generally do not have flexible repayment options. With options like income-driven repayment plans, federal student loan payments adjust to borrowers' income, providing a cushion during difficult economic times.

Know Before You Owe addresses the lack of publicly-available data about private student loans in several ways. The legislation requires private lenders to obtain certification from schools, confirming whether borrowers have expenses that have not been covered by other sources. Additionally, schools' financial aid offices must notify borrowers if they still have federal student loan aid eligibility and provide more information. Schools will be required to certify annually with the Illinois Board of Higher Education that they are in compliance with the law. Finally, the legislation requires private student lenders to report basic loan information to Illinois' Student Loan Ombudsman, housed in the Attorney General's office, and the Illinois Department of Financial and Professional Regulation.

The Illinois Attorney General's office has long been a national leader in investigating and enforcing consumer protection violations in the higher education field. Raoul's office has discharged more than \$14 million in fraudulent private student loans since 2019. Attorney General Raoul's office is a leader in nationwide litigation against Navient, the country's largest student loan servicer. Raoul has also overseen the rollout of the state's first Student Loan Ombudsman, a position created by the Student Loan Servicing Rights Act, to provide resources for student borrowers who are struggling to make student loan payments.

Student borrowers who have questions or are in need of assistance can call the Attorney General's Student Loan Helpline at 1-800-455-2456.